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**SURREBUTTAL TESTIMONY**  
**OF**  
**JAMES M. HERRITAGE**  
**ON BEHALF OF**  
**SOUTH CAROLINA MERCHANTS ASSOCIATION**  
**DOCKET NO. 2002-223-E**

**Q. PLEASE STATE YOUR NAME.**

A. My name is James M. Herritage.

**Q. HAVE YOU PREVIOUSLY TESTIFIED IN THESE PROCEEDINGS?**

A. Yes. I have submitted prefiled direct testimony in this matter.

**Q. WHAT IS THE PURPOSE OF YOUR SURREBUTTAL TESTIMONY?**

A. The purpose of my surrebuttal testimony is to respond to the rebuttal testimony of South Carolina Electric & Gas (“SCE&G”) witness John R. Hendrix on matters relating to the design flaws and Piggly Wiggly’s experience with Rate 21.

**Q. DO YOU HAVE AN OPINION AS TO MR HENDRIX’ STATEMENT THAT HIGH LOAD FACTOR CUSTOMERS HAVE DIFFICULT IN RECEIVING BENEFITS UNDER RATE 21 GIVEN PIGGLY WIGGLY’S EXPERIENCE?**

A. Yes. Piggly Wiggly conducted its one-year experiment with Rate 21 based on analyses conducted by SCE&G. As a result of SCE&G’s own projections predicting average savings of 2.9% per store, Piggly Wiggly determined to try the test for one year. SCE&G’s analysis was based on actual data from Piggly Wiggly stores. Thus, it is amazing Mr. Hendrix now testifies that high load customers may have difficulty

1 receiving benefits in Rate 21 when SCE&G's own analyses indicated Piggly  
2 Wiggly's high load factor stores would receive benefits.

3 **Q. DID YOU MISCONSTRUE THE PURPOSE OF RATE 21 AS MR. HENDRIX**  
4 **ASSERTS OR DID SCE&G HAVE FLAWED ANALYSIS ON THE BENEFITS**  
5 **OF RATE 21?**

6 A. As I previously testified, Piggly Wiggly only agreed to change to Rate 21 because  
7 SCE&G's analyses (with their extensive knowledge of how the rate works) predicted  
8 savings. After conducting an experiment for one year, SCE&G's projections proved  
9 to be off substantially. Rather than achieving SCE&G's projected savings of 2.9% on  
10 Rate 21 compared to what it would have been for the same time period on Rate 20,  
11 costs actually increased an average of 4%. That is quite a gap. This causes me to  
12 doubt SCE&G's understanding of how Rate 21 impacts their customers.

13 **Q. DO YOU BELIEVE "LUCKY" CUSTOMERS SHOULD RECEIVE A**  
14 **WINDFALL FOR SHIFTING TO RATE 21?**

15 A. I do not know what SCE&G means by "lucky." I do not pretend to be an electric rate  
16 designer. My role is to help my client, Piggly Wiggly Carolina, manage their energy  
17 costs. SCE&G maintains that it is the customer's responsibility to make sure they are  
18 on the right rate. But if the rate is so complex that even the electric provider can't  
19 accurately project its impact, where does that leave the customer? Other investor-  
20 owned electric utilities operating in South Carolina see the wisdom in offering "Time  
21 of Use" rates that allow high load factor customers, including supermarkets, to  
22 generate savings. The Public Service Commission should order SCE&G to  
23 reevaluate its design of Rate 21.

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1    **Q. DOES THIS CONCLUDE YOUR TESTIMONY?**

2    A. Yes, it does.